

Kuehne + Nagel Drinks Logistics Limited Corporate Governance Statement 2019

Good corporate governance is an integral part of the culture of the Kuehne + Nagel Group (the “Group”). Kuehne + Nagel Drinks Logistics Limited (the “Company”) is ultimately owned by Kuehne + Nagel International AG (the “Parent Company”), which adopts the Swiss Code of Best Practice for Corporate Governance (the “Code”). Accordingly, this is also the corporate governance code adopted by the Company. This statement is made in support of the good governance practice of the Group and will explain where the Company complies insofar as it can do as a subsidiary of its Parent Company and where compliance is achieved at Parent Company or wider Group level. A copy of the Code can be found [here](#) and the Parent Company’s Corporate Governance Report [here](#).

Shareholders

The Parent Company is the only entity of the Group listed on a Stock Exchange. Given the Company is a wholly owned subsidiary of the Parent Company, compliance with the Shareholder provisions within the Code are achieved by the Parent Company.

The Board of Directors

The Board recognise that good governance is reliant on effective leadership which drives a healthy corporate culture. In 2018, the Group launched a clear strategy with an end goal, which is articulated throughout the Group at all levels and aligns Group colleagues with a defined purpose and collective vision. The communication of the strategy allows all business units to benchmark their performance against the long term objective, which provides the Board with a clear representation of the Company’s position and aids decision-making in specific business areas.

Role of the Board



The scope of the duties of the Board include (but are not limited to):

1. the overall supervision of the Company;
 2. issuing and review of the necessary business policies;
 3. establishing the organisational framework;
 4. organising the accounting system, the financial control and the financial planning of the Company;
 5. appointing and removing the persons entrusted with the management and representation of the Company;
 6. approving binding legal documents;
 7. assessing culture and governance of the Company;
 8. the overall supervision of persons entrusted with the management of the company;
- and

9. compiling the Annual Report.

The Board meets at least 12 times a year to discuss matters of importance to the Company and ensure that the information received in order to make any decision on behalf of the Company is received from reliable sources such as financial reporting, key performance indicators, workforce and environmental data and stakeholder engagement feedback. Where appropriate, the Board will seek external advice from independent experts on significant matters. Board meetings are chaired by the Managing Director. As is common for companies forming part of a larger group, certain matters which might otherwise fall within the remit of the Board are delegated to and overseen by the Board of the Parent Company, such as preparation of the Annual General Meeting including submission of proposals and the implementation of its resolutions.

As noted above, certain aspects of the Company's corporate governance are delegated to the Parent Company Board. The Chairman is responsible for certain tasks of the Board of Directors including, amongst many others, supervising the Board and internal audit. In addition, the Audit Committee consists of three to five non-executive, mainly independent members of the Board of Directors and members of the Management Board cannot be members of the Audit Committee. The Parent Company Board has a Chairman's, a Nomination and a Compensation Committee ("Committees"). Principles contained within the Code relating to the aforementioned Committees are delegated to the Parent Company Board. Further information on the rules of competence between the Board of Directors and the Management Board of the Parent Company and their duration of tenure and election can be found within the Parent Company's Corporate Governance report.

The Board ensures that management functions are allocated appropriately throughout the Company. Whilst day to day operational decisions are delegated to the business / functional unit management teams, the Company has established clear reporting lines into the Board, which has ultimate responsibility for any strategic decisions or decisions of key importance. The Company also has varying levels of competency with regard to contractual and financial approval, including approval at managerial level, approval by the Board of the Company and approval of matters for referral to the Board of the Parent Company. This process assists the Parent Company to meet its and the wider Group's corporate governance requirements by retaining control over key strategic decisions.

Board Composition

The Company's Board has a good balance of skills, experience and expertise. The directors believe that the appointment of a Board member representing each business and functional unit of the business ensures that all areas of the Company are represented and directed at Board level. The directors also believe that the size and composition of the Board is appropriate for the Company having regard to its size and the breadth of services offered across various industry sectors. Each member of the Board, representing their respective functional or business unit, brings their own expertise and independent judgment to matters of importance to the Company.

The Company applies its diversity policy across all business areas so that no employee (actual or prospective) will be discriminated against or treated any less favorably on the grounds of nationality, ethnic origin, gender, pregnancy, race, sexual orientation, age, disability or marital/civil partner status. This policy is applied equally in respect of Board members and the overall composition of the Board. Each board member is therefore elected based on their experience and ability to ensure the effective oversight of their particular functional or business unit, and to add to the oversight of the Company more generally, including having the ability to make independent decisions. All newly elected members of the Board receive training with

regard to the role and responsibilities of a director and the operation of the Company's policies and procedures.

Internal Control, Risk Management and Compliance

The Board is ultimately responsible for identifying and pursuing new opportunities, with the input of necessary stakeholders with the pertinent expertise. Any strategic opportunities will be discussed and reviewed by the Board. New agreements arising out of any such opportunities go through an internal contract review process, which receives input from all relevant areas of the business and has before submission to the Board for consideration and, if thought fit, approval by the Board or, for certain matters, for referral to the Board of the Parent Company.

The Company recognises that good governance is driven by ethical values and transparent conduct policies and the Company is committed to operating in accordance with these values and policies in its dealings with all stakeholders. The Board recognises that falling short of any legal or regulatory obligations represents a key risk to the business. Accordingly the Group has implemented an Ethics & Compliance program which includes ongoing live and computer based training initiatives and a global Code of Conduct. Key risk areas for the Company are identified and training programs developed in relevant areas, including anti-bribery, anti-corruption and anti-trust matters. The Group Ethics & Compliance program is reviewed regularly and was most recently updated and reissued in 2019 by the Parent Company's Board. Employees are encouraged to raise concerns of potential violations of the Code of Conduct via various channels, which includes a global 24/7 confidential helpline. The Group also applies a risk-based Integrity Due Diligence process for evaluating its business partners.

The Company also has various risk mitigation processes in place in standalone disciplines, including finance systems and checks, investment applications, supplier on-boarding process, board level approval processes (including the Regional Board and the Parent Company Board where appropriate) in relation to any binding agreements. At Parent Company level, material risks are continuously monitored and regularly reviewed and discussed by the Audit Committee and the Risk and Compliance Committee. Further information on this can be found in the Parent Company corporate governance report.